

# Political Entropy and American Decline

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## *Introduction: Madisonian Entropy in an Interdependent World*

As the United States and the Soviet Union attempt to get to grips with the strategic and economic tensions which have absorbed so much of their energy and resources over the past 40 years, it has become clear that it is not their strength that has led to their recent rapprochement, but their relative decline. Both superpowers have been realising that their nuclear arsenals are not only unusable but also an intolerable burden – most critically, in a global context in which other countries have been catching up with them economically, and in which they find that their writ does not run to most of the world in terms of capacity to control critical events and structural changes of a political and social nature.

This situation has frequently been described as the decline of American (and/or superpower) 'hegemony'.<sup>1</sup> Hegemony is a complex and contested concept,<sup>2</sup> and there is not the space to deal with it at any length here. Most conceptions of hegemony have in common, however, the criterion that the leading state (or states) in the international system are not simply the strongest, but also have the capacity to set *and enforce* the international rules of the game.

This requires economic power; the hegemon must be the leading economy<sup>3</sup> and be able to shape international structures of trade, finance, production, consumption, *etc.* It requires cultural power, in which there is a widely accepted identification of national interests with universal or supranational goals. It requires military power – the capacity to use force to sustain the system when economic or cultural discipline fails or when external challenges arise. Perhaps most of all, however, it requires the decisional capacity of the state to co-ordinate the above three types of power in order to establish and maintain a coherent set of rules and sanctions, enforcing those rules in a transnational or even supranational fashion.

It is this *decisional power* which holds the key to hegemonic power – and decline. Thus, neither the arms race nor any underlying economic weakness is the central cause of superpower decline, this paper argues, although each is a major symptom. The real cause has been stagnation and stalemate in their internal political systems. We are all well enough aware of the impact of Brezhnevian entropy within the Soviet Union. But we must continually remind ourselves of the endemic weaknesses of the American system of government. For in the world today, interdependent and interpenetrated as it is, an old spectre has returned to haunt Washington: Madisonian entropy. And its consequences are now more far-reaching than ever.

It is a longstanding theme of critical literature on American politics that the system of government in the United States is an eighteenth century edifice which has serious difficulties in coming to grips with the challenges of the twentieth century. The Madisonian formula of checks and balances – federalism and the

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separation of powers – provided a resilient and flexible means during the nineteenth century to turn a continental quasi-empire with its mosaic of republics and satrapies into a powerful nation-state, even if it took a bloody civil war to lay the foundations and two world wars to draw it into an international role concomitant with its economic and military strength.

Indeed, it has become a crucial part of American political culture to see America's world role as inextricably intertwined with the felicitous workings of its system of government. The spirit of Pericles runs deep, in the belief that America's power is the consequence of her own political virtue (a belief which can justify both isolationism and interventionism), and in the twofold presumption that American power is implicitly benign and that political prescriptions based on the American experience can form an appropriate blueprint for good political systems elsewhere – and, indeed, for a good world order (thus rejecting isolationism but legitimating interventionism).

There are three problems with such deeply ingrained beliefs – beliefs which, despite the new-found predominance of 'realism' in foreign policy analysis<sup>4</sup> or a more hard-headed appraisal of 'the end of liberalism',<sup>5</sup> are still part of the cultural baggage of American decision-makers as well as of mass publics.<sup>6</sup> We shall come back to these problems in more detail later, but they are worth noting briefly here.

The first problem is that the rise of American world power took place *despite*, rather than because of, the workings of the system. The decline of the Concert of Europe system left a vacuum which only the US could fill. It did so hesitantly and reluctantly. The second problem is that the capacity of the United States to play an effective role in an increasingly interpenetrated world has frequently been undermined in significant ways by the workings of the system. And the third is that, as other countries adapt more effectively than the United States to contemporary conditions, the American system of government both exacerbates crises and stalls solutions. Such counterproductive propensities threaten continually to turn an otherwise manageable hegemonic decline into a steep and slippery slope.

### *Madisonian Entropy: A Classical Syndrome*

In the early days of the republic it was widely accepted that the ideals and aspirations that underlay the American system of government were in tension with the requirements of international relations. Washington's Farewell Address is often quoted as an authoritative text on this subject. 'Foreign entanglements' were to be avoided not merely because the United States was weak and the European powers corrupt. Rather, the notion of sovereign statehood was seen to have developed out of a post-feudal state order whose monarchical and bureaucratic systems inherently required a degree of centralisation of political power which had been explicitly rejected by the American Revolution. To be involved in the world would be to undermine liberty, democracy and the pursuit of happiness at home. It took a century for this legacy to be undermined by economic expansionism and war.

The gradual involvement of the United States in more and more foreign entanglements in the second half of the nineteenth century was intertwined with an uneven process of political centralisation.<sup>7</sup> This process stemmed mainly from

internal factors, factors which operated partly (though not wholly) sheltered from external forces: the creation of a national marketplace and productive system; the strengthening of the central government during and after the Civil War; increased communications and national culture, fed by the born-again patriotism of an immigrant society; and the emergence of a national system of interlocking elites, with pretensions to a new cosmopolitanism.

But external factors were not far behind. From the Monroe Doctrine to the opening of the West, the US Government had to deal with foreign powers on an ever-increasing scale. Protectionism, in an increasingly competitive world industrial economy, was a major governmental 'output' which brought diverse interests into a more centralised game. Then the search for export markets, first for agricultural and later for industrial surpluses, made the central government a critical bureaucratic player. The development of the State Department in the late nineteenth century as a bureaucratic agency is as important as the content of the Open Door Notes or the more spectacular imperialist adventures of the US in the Caribbean and elsewhere as an exemplar of the linkage between changes in government structure and changes in external involvement.

The twentieth century, of course, best illustrates this linkage. If the classic development process of the modern nation-state involves the emergence of a permanent standing army, a centralised system of taxation, regularised state regulation of and intervention in the economy, increased executive power and the nationalisation of ideology, then the critical period lies between 1914 and 1947.<sup>8</sup> The First World War created a degree of centralisation previously unheard of. The Reciprocal Trade Agreements Act of 1934 and the Curtiss-Wright decision were probably more important in the long run in giving the executive greater power over policy than the subsequent New Deal acts. The Second World War and the first stages of the Cold War, which reconciled Keynesian economics with American hegemony through the Bretton Woods agreements and the Marshall Plan, fused domestic expansion with bipartisan foreign policy under the 'imperial presidency'.

But this description of 'state-building' lacks two dimensions critical to the American case. The first is the well-known diagnosis which would confirm that the process described actually did reduce the democracy and freedom which was supposed to be built into the constitutional system, as many Founding Fathers had feared. This is frequently countered, however, with the view that democracy and freedom of that kind could exist only in a resource-rich economy with a small population; a democracy that could cope with the problems of a more complex, larger and more externally interdependent society would require rather more centralised structures anyway.

The second dimension, also well-known (especially among some academic critics) but less widespread, would suggest that for all of the centralisation which has taken place, there have been costs in having to carry the Madisonian baggage along for the sake of political tradition. The process of centralisation has been uneven and inconsistent, overly dependent on international 'pull' factors (such as vacuums of power), unusual events (wars, *etc.*) or idiosyncratic personalities (*e.g.*, Franklin D. Roosevelt). It has not developed as a set of coherent, rationalised and streamlined processes of decision-making, implementation and accountability.

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Centralisation is seen as having been accompanied not so much by a 'proliferation of government', as by a proliferation of *politicking* – as levels of government criss-cross, as newly-centralised power is fragmented, and as political energy is first inspired by electoral battle and media attention and then dispersed into a thousand *cul-de-sacs*. Consequently, the system is seen to be inefficient in pursuing either coherent and effective policies or genuinely accountable democracy. In the international context, the ramifications are greater, perhaps even dangerous.

Let it be said that this proliferation of politicking serves one very important political 'function' – that of political integration. The strength of the American system of government, and particularly its ability to survive and prosper without a centralised state in the social conditions of the nineteenth century, has lain in its capacity to mobilise and assimilate diverse individuals and groups by giving them a 'stake' in the system. One by-product, however, has been virtually to disenfranchise those so-called 'minorities' which have not been able to get their foot in the door.<sup>9</sup>

The Madisonian system, rather than having been superseded by a more centralised, internationalised state, has become more labyrinthine as new layers and functions are 'pragmatically' tacked onto the constitutional skeleton. One particularly significant result is that 'real' political processes rarely resemble the constitutional formulas, but represent accumulated practice in bypassing blockages in the system. However 'informal' these processes may be, they work by institutionalising the balance of power between a variety of sometimes competing, sometimes collaborating, vested interests. Through 'smoke and mirrors', hard choices are avoided. Easy options – especially what Lowi has called 'distributive policy' – dominate the agenda. The results are fine in good times, but have drawbacks when choices are difficult, and when co-ordination and innovation are required.

The Madisonian system operates at three main levels. The first involves the *transmission of demands* into and within the political system and the state apparatuses. The second concerns the actual *formulation of policy* at all levels. And the third involves the *implementation of policy*. These are, of course, overlapping processes. They usually involve many of the same actors, either doing different things or operating at different points in time. Therefore, co-ordination (or lack of it) among these processes and among these actors is a matter of concern. In another sense, concern is not limited to co-ordination *per se* but extends to the *linkage between the process and the actual output*. Let us first look, however, at the processes themselves.

### Transmission of Demands

The transmission process concerns mainly what systems theorists call 'inputs' – the messages coming into the political system from its 'environment' of interest groups, social categories, economic structures, *etc.*, including those from foreign sources. However, it also concerns a range of 'withinputs' – messages from within the system, from politicians, bureaucrats, diplomats, and so on. These messages involve demands for action (or inaction) in policy terms – messages which state

actors can accept, ignore, manipulate or repress.<sup>10</sup> What state actors do, however, is constrained by imperfect information or uncertainty, as well as by the variety of messages and their frequent incompatibility.

An important feature of this process is the *articulation* between two characteristics of the American system. The first characteristic is the number and variety of *points of access* to the system. In this limited sense, the American system of government is a relatively 'open' system. The second is the need to co-ordinate – to mobilise or to neutralise – a wide but often quite specific range of 'state actors' or competitors who may have a particular interest in the 'demand' in question, but who may have potential veto power. The multiplication of points of access also multiplies the possible configuration of potential blocking minorities.

Thus 'federalism' is not merely state and federal government. It involves both state governments and various tiers of local government: school boards, development agencies, port authorities, state regulatory commissions, welfare agencies often complicated by the separation of powers at each level. In this structural context, elections are pretty useless for presenting demands from outside the network of 'insiders' or regulars – except that they provide opportunities for candidates to enter the system directly in an environment where parties are weak or nonexistent and where holding a particular (if often relatively powerless) office is a relevant strategy. Media attention is also an important source of influence.

An analogous pattern can be seen at federal level, with the number of tiers being replaced by the proliferation of *ad hoc* agencies. The tasks involved tend to be of larger scale and greater complexity. Many political officeholders are continually running for office, which makes them seem responsive but may undermine their policy-making efficiency. The courts, in the absence of a centralised 'first division' of bureaucratic *hauts fonctionnaires* or of a disciplined party system, are the only real monitors of the rule-following and sometimes even the performance of the system. Access to the courts is maximised through the expansion of the juridical concept of the 'due process of law' to other agencies and by the litigious mentality of a lawyer-dominated social structure.

Simply expressing and transmitting demands, then, usually requires a much more complex apparatus for the management of resources and influence than might be needed in a structurally simpler system. Demand management has become a full-time job, whether in a political career (the 'permanent campaign') or as part of a 'policy community'. Together, the two form Washington's ongoing 'power game'.<sup>11</sup> This in turn means that particular interests, when well-entrenched, operate in a quasi-corporatist 'insider' fashion, despite the relative absence of formal 'neo-corporatism' in the United States.

Thus the Madisonian system at the level of 'transmission' tends to be dominated, not by a cohesive majority faction, but by a well-entrenched and only slowly shifting negative coalition. The component factions operate on one of three principles: multiple veto, where change is essentially blocked (though often in a creative manner); 'pork-barrel', where the rewards of shifting resource allocations are sufficiently 'distributive' that a 'positive-sum' outcome can be bargained; or 'crisis management', in which the threat of potential losses due to drastically changing environments may lead to mutual concessions and a minimal pragmatic restructuring of the balance of power.

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### Formulation of Policy

It is clear from this last point that the transmission of demands overlaps somewhat with the second level of the Madisonian system, that of policy formulation and decision-making. I will spend less time on this level, as it is widely commented on in the literature, both mainstream and critical, on American politics. Although the most complex aspects of the system may well lie in the arena of state and local politics, it is mainly the federal government which is analysed by political scientists. The favourite topics are the committee system of Congress; the structure of bureaucratic agencies, regulatory commissions and other 'quasi-judicial bodies'; the monitoring and framework-setting role of the courts (especially the Supreme Court); and, of course, the presidency.<sup>12</sup>

The literature on the presidency is particularly interesting insofar as the executive branch has traditionally been seen as the beneficiary of the secular process of centralisation sketched out at the beginning of this section. Nonetheless, the 'most powerful man in the world' is portrayed as being trapped. He cannot attempt, as William Howard Taft once did, simply to act as a 'business manager', with either the Congress or the cabinet as the board of directors; the inability of these other bodies to set national policy priorities is legendary, wrapped up as they are in constituency and pressure group politics on the one hand and bureaucratic wrangling on the other. Therefore the President must try to set priorities simply to prevent the system from swelling to the point of collapse. He *must* intervene.

But neither can he act as an authoritative policy leader. If he stands back, statesman-like, setting broad goals and policy guidelines, politicking will simply go on much as before. The President's policy priorities will be achieved only if he plays the game.<sup>13</sup>

If the President tries, on the contrary, to manage the process of policy-making more closely, he finds that the executive branch itself must first duplicate the segmented channels of information of officials and agencies. He quickly loses the wood for the trees, as presidential agencies themselves fall prey to the characteristics of the expanded Madisonian system and duplicate, confuse, criss-cross and absorb energy. The existence of a 'power to persuade' is stalemated, even checkmated, in such an environment.

In this description, it is not always easy to remember that the presidency is the branch of government which, through its popular election, is supposed to represent the electorate as a whole. The presidency is widely seen as the only branch of government which has a relative capacity to act in a unified, hierarchical manner. Furthermore, the presidency has been the main beneficiary of whatever centralisation of power has taken place historically. Other parts of the governmental system, for the most part, have far deeper problems of co-ordination and control in their decision-making processes.

This proliferation of activities and its related problems of co-ordination lead to certain kinds of outcomes which suit the constraints inherent in the system. One might be called permissiveness, where the President and his advisers accept compromise solutions which simply juxtapose the major demands in the system. In this process, a limited amount of arbitration and priority-setting will be



accepted in order to see policies legitimated by inclusion in 'the President's programme'. Such outcomes progressively weaken the presidency, whatever the window dressing, because they confirm the role of 'issue networks' as the real core of the decision-making process. Only where an agency with real influence and expertise exists, relatively autonomous from both the President and Congress, can certain bottlenecks be avoided; the Federal Reserve System is perhaps the best example of this.

Perhaps more dangerous, if priorities cannot be reconciled, is acceptance of that part of the formula which can be agreed upon, while postponing decision on more controversial measures. Acceptance of the *easy option* on important issues can lead to greater difficulties at a later stage, of course, as Ronald Reagan's 1982 tax cut demonstrates. There is another version of this sort of outcome: the Spectacular. In this, an easily controllable issue is dramatically resolved, however tangential that issue may be to the major problems of government and foreign affairs; the invasion of Grenada is often seen in this light.

Perhaps most dangerous of all is the desire of advocates of particular policies within the presidential bureaucracy – sometimes including the President himself – to attempt to pursue their goals in spite of the checks and balances of the system: the End Run. Probably the most important impact of the American system of government on actors within it is an endemic sense of frustration. Frustration is most acutely felt within the executive branch because the need for leadership and co-ordination are so compelling for holders of high executive office who are not merely defending corners but have based their entire careers on 'getting things done' (or at least trying to). Bypassing blockages through 'back channels' must be a powerful and ever-present temptation. The system not only provides opportunities for operators like John Mitchell or William Casey (not to mention Oliver North), but gives some of them more real power than it gives to others.

### Implementation of Policy

Here we can see that the blockages in decision making feed directly into our third level of the Madisonian system, the various processes of policy implementation. Of course, this is not true only of the pathologies of the system just described. It feeds back through the system of checks and balances to the sources of political demands (individuals, interest groups, more powerful sectoral interests, *etc.*). An example which is particularly symptomatic is the *ad hoc* proliferation of quasi-independent regulatory agencies, much commented upon in the public policy literature, and frequently criticised for their quasi-corporatist nature.

Thus policy communities come to influence key policy sectors through all of the levels of the Madisonian process – transmission, decision-making and implementation – with closed feedback ensuring that blockages are managed and minimised. These problems are complicated further by the federal system and by the courts – indeed by the very quality of openness which was described in the discussion of transmission. Of course, many attempts to bypass the Madisonian system fail. Two recent glaring examples of this were the Supreme Court's ruling that the so-called 'legislative veto' was unconstitutional because it violated the

principle of the separation of powers, and the more recent Court ruling that the first version of the Gramm-Rudman-Hollings Act to force automatic cuts in the budget deficit was also unconstitutional because, in vesting that power in the Comptroller-General, it too violated the separation of powers.

The conclusion to this part of the paper is that as the Madisonian system expands, the result is not efficiency but increasing entropy. Were the function of the system merely to expand participation in a structure protected from shocks (especially external shocks), this might not matter so much. Isolationism would merely have been replaced by unilateralism, as has often been the case in the post-war world. But in today's interdependent world, that system is very vulnerable indeed.

### *Madisonian Entropy and External Challenges*

Entropy is defined in the Concise Oxford Dictionary as a 'measure (from physics) of the unavailability of a system's thermal energy for conversion into mechanical work'. The US system of government, as argued above, is characterised by a great deal of energy which is absorbed or dissipated through the internal workings of the structure, and which is unavailable for the policy tasks which modern states must perform. On the domestic side, the inefficiency of the American welfare state, of law enforcement or of economic regulation are legendary. But this inefficiency is not so much inherent in the nature of the tasks as neo-conservatives would have us believe as it is in the *way such tasks are carried out* in the expanded Madisonian system. The British National Health Service, Sweden's active labour market policy and Japanese industrial policy are testament to the policy potential of the contemporary liberal democratic state, in contrast to the US.

But given the deep roots of the constitutional political culture of the United States and the widespread sense that individuals and groups (even quite radical groups) share of having a participatory stake in the system – even in the bureaucratic system<sup>14</sup> – it is unlikely that the Madisonian system will collapse simply from domestic overload. It performs its integrative function too well, as even such a dogged opponent of the American welfare state as David A. Stockman concludes:

Some will be tempted to read into the failure of the Reagan Revolution more than is warranted. It represents the triumph of politics over a particular doctrine of economic governance and that is all. It does not mean American democracy is fatally flawed: special interest groups do wield great power, but their influence is deeply rooted in local popular support. . . . The triumphant welfare state principle means that economic governance must consist of a fundamental trade-off between capitalist prosperity and social security. As a nation we have chosen to have less of the former in order to have more of the latter. . . . And to some degree it works.<sup>15</sup>

The problem with Stockman's analysis, however, is that for all his reluctant realism – tempered in bitter defeat, as he sees it, at the hands of executive branch colleagues, bureaucratic placemen, congressional back-scratchers and powerful



special interestss – he shows no understanding of the significance of the way that these symptoms of Madisonian entropy operate within an interdependent world environment. This is an environment in which the decline of American power will have crucial ramifications for the future of the American system of government itself, as well as for the future balance of world power. Stockman is still a 'domesticist' in the last analysis. Indeed, few Americans of either the right, the left or the centre perceive external challenges in terms of a complex and potentially unstable multipolar world rather than through the tunnel vision of superpower bipolarity.

Yet this very decay of the bipolar illusion (bolstered as it has been by the 'logic of nuclear terror') is the central question. It has been at the heart of the most important structural changes in international relations over the past 30 years.<sup>16</sup> Despite the rearguard actions of Ronald Reagan, it has returned to centre stage since the mid-1980s.<sup>17</sup> The decline of American hegemony has led to debates over the possible stability of such a multipolar world.<sup>18</sup> But any future stability will depend on the way the United States adapts to multipolarity and interdependence. And it is this capacity to adapt to multipolarity – to *manage* inevitable hegemonic decline – which is called into question in this paper. The effects of Madisonian entropy are already reaching a critical point, seriously compromising the capacity of the United States to respond coherently to the challenges of the future.

But what is meant by the capacity to 'manage hegemonic decline'? The post-war international system reflected a world in which the United States (and, in a much more restricted way, the Soviet Union) possessed a predominant share of the world's resources and wielded virtually unanswerable military power. Its leaders had the political will to design and to back up an interlocking set of international structures based on both American national interests and a quite coherent conception of a political, military and economic world order. The spread of American-backed governmental systems, the pursuit of nuclear deterrence along with co-ordinated alliance systems and the Open Door were the three legs of America's hegemonic stool.

Each depended upon American superiority – not so much towards the 'Soviet bloc', which was merely to be 'contained' – but rather in *relations with the West*, and to a growing extent with the South. This superiority depended fundamentally upon the coherence of American foreign policy and the American role in the international economic system. *That coherence itself depended in turn upon the capacity of the foreign political and economic policy-making of the United States government to bypass the blockages in the Madisonian system.*

America's reluctant leadership of the 'free world' was tied up in three structural developments within the overall policy process: (1) the development of the 'imperial presidency', (2) the maintenance of bipartisanship in Congress (congressional restraint and deference to the executive on foreign policy questions), and (3) the capacity of the executive to co-ordinate certain aspects of economic policy with the requirements of transnational regimes in areas such as trade and monetary policy. Without these means of bypassing the Madisonian system, post-war American leadership could never have existed, as the experience of American foreign policy following the First World War testifies.

The problem of hegemonic decline itself is a complex one. First, as I asserted at the beginning of this article, the strategic nuclear relationship between the United States and the Soviet Union – the central attribute of superpower status – is disconnected from the problem of hegemony. Indeed, overemphasis on the logic of nuclear terror has actually helped to *undermine* American capacity to manage its own overall role in the world and to co-ordinate the different levels of action implicit in that role.

Second, hegemonic decline does not at all imply the absolute decline of American power or resources. What it does mean is that there has occurred a *relative* decline in American capacity to control its relations with the West and the South. Other countries and regions have been 'levelling up', rather than the United States going down. But in attempting to come to terms with that 'levelling up', the fragile system of bypassing Madisonian blockages has come unstuck.

The imperial presidency has been both eroded from outside and distorted from within ever since the Vietnam War. With regard to the internal erosion, Johnson's 'credibility gap' and the CIA 'secret government' of the 1960s are in a direct line with Watergate in the 1970s and Contragate in the 1980s. The 'cowboy syndrome' from within, as exemplified by William Casey and Oliver North, is, as pointed out earlier in this paper, endemic in a system which so systematically frustrates co-ordinated, above-board decision-making and implementation. The system makes isolated policy-makers into advocates, and effectively stifles the control and monitoring of policy implementation in external affairs.

As to the external factors eroding the imperial presidency, it is clear that the strategic and tactical dimensions of the world have changed. No President could have dealt with Vietnam the way he dealt with Korea; Nicaragua cannot be dealt with in the 1980s the way Cuba was dealt with in 1962; Iran since 1979 is not Iran in 1953; the Western Alliance since de Gaulle and detente<sup>19</sup> is not the integrated NATO of the 1950s. The strategic-diplomatic clock cannot be turned back.

In this context, stymied as he is, the President cannot depend on the 'crisis management' mode exemplified by the Cuban Missile Crisis. Crises turn out to be intractable, such as the Gulf War, El Salvador or South Africa. The increasing temptation is to seek out the 'easy option', especially the Spectacular, which can so entrance the public at home. Let us hope that the INF Treaty does not turn out to fall into this category.

In the second place, while a facade of bipartisanship in Congress remains, the substance has been eroded. This is not so much of partisan conflict, for American parties are continuing to weaken, but of cross- and intra-party conflict. The Senate Foreign Relations Committee's televised Vietnam hearings in the 1960s were the first substantial breach, with its cross-cutting cleavage between 'hawks' and 'doves'. This was followed by the inter-branch confrontations on 'impoundment', on the bombing of Cambodia and the supply of military aid to South Vietnam, and, ultimately, on the War Powers Act. Indirectly, the Watergate Affair helped to destroy the relative consensus on Nixon and Kissinger's foreign policies, followed by constraints on covert action. Perhaps the greatest blows to the Carter Administration were the rejection of the SALT 2 treaty and the dismemberment of the President's energy policy (the latter of which falls also into the third category, below).

Furthermore, despite the INF Treaty, it is Contragate and the stalemate over the budget deficit, both involving confrontations between Congress and the executive, which partly undermined the Reagan Presidency after the Statue of Liberty celebrations. And the desire, often expressed in Congress and on the presidential campaign trail, for America's allies to spend more on defence – the 'burden sharing' debate, underpinned by over 20 years of congressional pressure to withdraw American troops from Europe – has interacted significantly with everything from France's adoption of an independent nuclear deterrent in the 1960s to, paradoxically, both the European Peace Movement and a reawakening of Japanese (and British?) militarism in the 1980s. Finally, as will be argued below, both special interest and protectionist pressures have played an important role both in undermining US capacity to pursue a coherent fiscal policy, and in continuing to prevent the American government from developing targeted *microeconomic* policies to counter the competitive advantage enjoyed by countries with a more centralised system, such as Japan and Germany (what is known as 'industrial policy').<sup>20</sup>

In the third place, then, the capacity of the American system of government effectively to co-ordinate macroeconomic and microeconomic policy in ways which reinforce interdependence has been significantly eroded by the Madisonian system. To begin with, American capacity to play a leading role in the international capitalist economic order was closely bound up with the emergence of the dollar as a reserve currency, pegged on the 'gold exchange standard' to the price of \$35 per ounce of gold. This system emerged when *other* countries were in crisis between the two World Wars and when the Roosevelt Administration was temporarily able to bypass the Madisonian system in the New Deal era; it was confirmed and strengthened in the post-war era, when other countries desperately needed dollars to reconstruct their war-torn economies.

When the gold exchange standard came under pressure in the 1960s – pressure from the growing prosperity of Europe and Japan rather than from American 'weakness' – US administrations were so afraid that the bipartisan and interest-group coalition on foreign economic policy would unravel that they stonewalled. The concomitant to European pressures was US action on its newly-endemic trade deficit (and later its endemic balance of payments deficit). By devaluing the dollar *within* the Bretton Woods system, the US could stop 'exporting its inflation' to Europe. Whatever the merits of the rather more radical American proposals (based on the IMF's Special Drawing Rights), the Johnson and Nixon Administrations insisted that the dollar was all right, and that it was up to the Europeans to revalue their own currencies rather than for the US to devalue.

In the late 1980s, this all sounds rather familiar. The American response to growing pressures was not to negotiated action on the value of the dollar, but unilateral action – the Nixon programme of import quotas, wage and price restraints, and the withdrawal of the dollar from the fixed exchange rate system. The result, as we all know, was the cobbled-together floating exchange rate system, with its built-in overshoots and multiplication of international capital flows. Later, a number of trade conflicts in the wake of the oil crisis led to further restrictions, such as the Voluntary Export Limitation Agreements and the Multi-

fibre Agreement. A volatile juxtaposition emerged, of a more cramped world trading system with a floating financial crap game exemplified by the Third World debt crisis. The resulting uncontrollability (allied with deregulation, an empirically scrappy if intellectually appealing attempt to close the stable door after the horse had bolted) has recently led to the deepened recession of 1982, the soaraway dollar of 1983-85, the papering-over-the-cracks Plaza and Louvre Accords, and the stock market crash of 1987.<sup>21</sup>

During this whole period, a notable development was the declining competitiveness of American industry, even before the period of the dollar's greatest strength. In the late 1970s and early 1980s, a number of analysts had identified relative American decline with the outdated nature of its industrial structures, left over from the Second Industrial Revolution. Despite the development of high-tech, flexible systems, there was neither appropriate long-term financing for investment nor co-ordinated and targetted microeconomic government policies for picking winners and restructuring losers.<sup>22</sup> These analyses were built upon detailed, careful observation of economic growth in, and the competitive position of, Japan and some European countries. However, despite the fashion for 'industrial policy' in academe, its adoption by the AFL-CIO (and by Walter Mondale), or its role as the core of Gary Hart's 'New Democracy' in 1984,<sup>23</sup> it remained anathema to the Reagan administration and to most Republicans. Governor Dukakis's espousal of its tenets was lost in the traditional liberal *versus* conservative rhetoric of the 1988 campaign.

Such a far-reaching 'industrial policy' is extremely unlikely to be effectively implemented under the American system of government without establishing another 'bypass circuit' to avoid the blockages of the Madisonian system. To insulate such a policy-making process from special interests, traditional protectionism and featherbedding pressures would require *both* the establishment of an institution (or closely co-ordinated institutional structure) with at least some of the powers of Japan's Ministry of International Trade and Industry combined with some of the powers of some of Europe's planning commissions, Finance Ministries or central banks – *and* its insulation from the pressures of the 'iron triangles' of special interest lobbyists, congressional allies and bureaucratic advocates.

Again, the *tasks* in themselves are not impossible to undertake effectively in a democratic capitalist system, as other systems demonstrate; but institutional reforms are either impossible in themselves or are only feasible as the result of a compromise which would almost certainly counteract their original rationale. Such reforms would inevitably offend many special interests, would probably erode the prerogatives of both President and Congress and would undermine the separation of powers. The fashion for old-style trade protectionism, which industrial policy was meant to obviate, has returned with a vengeance among industries old and new, in Congress (with the recent passage of the Trade Bill) and in parts of both parties (especially among Democrats in industrial areas). This is the sort of issue and policy position that the iron triangles like best, despite the pressures of more internationally imbricated fractions of capital, for it unites domestic constituencies with legislative politicking and the defence of bureaucratic turf. Madisonian entropy stalls structural reform, further entrenching

existing policy circuits. Thus the trade deficit remains structurally intractable, despite the falling dollar, in a context of international financial uncertainty.

Even in this context of financial and industrial non-management, however, it took a superb exhibition of the symptoms of Madisonian entropy to set off the stock market crash – the intractability of the budget deficit. The American deficit, taken as a percentage of GNP, is not really so high, compared with German and Japanese deficits in the late 1970s and early 1980s, for example. The main problem of the budget deficit is that it has distorted the ever-more-integrated international financial system in ways which have in turn distorted the economic policies of other countries – drawing in savings from these countries and ‘crowding out’ finance for investment not only in the United States, but in the capitalist world as a whole. The second problem is that while other countries have reduced their deficits, the ongoing US deficit has increased American national debt by nearly 150 per cent, ensuring that interest payments will continue to deepen the *structural* deficit over an indeterminate period.

The Reagan administration was partly to blame, of course; accepting the bloated Congressional version of the President’s already bloated tax cut in 1982 was the cause of the deficit – even if conservatives like Stockman blame the refusal of Washington bureaucracies, congressional pork-barrellers and special interests for their unwillingness to undertake spending cuts in America’s weak if crazy-quilt welfare state (another dimension, of course, of Madisonian entropy). But what this issue highlights most clearly is that there is no source of sovereignty to cut such Gordian knots, one way or the other, in the whole system. Perhaps the Gramm-Rudman process will still turn out to be the key, or perhaps, as the Republicans have been hoping since 1982, fast economic growth and full employment will eventually erode the deficit. But the Gramm-Rudman process is not an effective policy-making process, it is the embodiment of the *abdication* of policy in the face of Madisonian entropy. Moreover, rapid economic growth in an overheated and financially vulnerable economy is part of the problem, rather than part of the solution.

### *Conclusions: From Entropy to Atrophy?*

The recent preoccupations with Contragate and with the ‘twin deficits’ are Important primarily because they are symptomatic of deeper problems; problems for which there would seem to be no solution in view. The United States may not be a ‘stalemate society’, to borrow Stanley Hoffmann’s well-known description of France under the Third Republic.<sup>24</sup> Indeed, American society is, as always, energetic and creative at many levels. What absorbs and dissipates that energy, however, is the complexity, duplication and cross-purposes which were not only built into the Madisonian system, but which have also been increasing faster than the problem-solving capacity of the system, especially where international interdependence is concerned. The US suffers from a kind of dynamic immobilism, creative stagnation or stalemated superstructure, which I have called Madisonian entropy.

The result is that policy outcomes are blocked, represent the lowest common denominator (or mere juxtaposition) of vested interests, or reflect some escape

route from the maze. The problem with the escape routes is that they too are getting blocked, leading to the continual search for Easy Options, Spectaculars, and End Runs. Crisis management becomes the *normal* way to solve problems, but the political capital required for continual crisis management is quickly used up. So crisis management becomes ineffective too. As a result, normal conflicts and choices quickly turn into crises, and crises themselves become unresolvable.

This raises particular questions in the light of the evolution of the international system. The Reagan administration may have solved some of its short-term political problems by allowing the dollar to soar, and may ameliorate the trade deficit by allowing it to plummet. However, hegemonic decline is effected by the lack of control of the value of the American currency when the political and economic affairs of other countries are being affected. Politicians may talk of 17 million new US jobs created in the Reagan years, but this has not solved the deep problems of industrial decline and lack of international competitiveness which rebound domestically and internationally.

The United States may choose to intervene in a visually spectacular way in the Gulf, but given the entrenched and complex nature of the problem, its inability to confront the issues (and the gunboats) without worsening the problem and undermining its own position underlines American weakness. The cease-fire in the Gulf was the product of the exhaustion of the combatants and the effectiveness of the United Nations, rather than American intervention. The beginning of a process of reducing nuclear weapons may indeed be an historic step for humankind. But it opens up a whole range of questions about how much influence nuclear weapons actually give the superpowers (and the other nuclear powers) as well as about how power is to be distributed and managed in a world where the real conflicts are conventional and economic.

In this context, the loss of American power will draw other major economic and political powers into post-hegemonic primacy. This will confront the United States with further international challenges, putting more pressure on the Madisonian system, leading to more crises of entropy. The danger is that the entropy of the American system of government will feed into a frustration/aggression syndrome within the US and lead to a worsening destabilisation of international politics. In such a context, Madisonian entropy may lead to atrophy of the system of government itself, as the balance which Stockman described between 'capitalist prosperity and social security' is eroded *on both sides* by a hostile international environment. Entropy can lead to atrophy, or even to collapse.

Of course, different scenarios can be envisaged. The United States in the twilight of the twentieth century, like Britain at the end of the nineteenth, has a capacity for muddling through which derives from the strength of its existing economic resources, backed up by the stability and deep-rootedness (if not the decisional capacity) of its political system. This is reinforced by the positional power of American elites and interests in the transnational structures of the contemporary world.<sup>25</sup> Perhaps once the ideological dogmas of Reaganite unilateralism and supply-side economics have receded into history and been overtaken by the reputedly more pragmatic approach of President Bush, the problems discussed in this article will seem more manageable; lip-reading would suggest otherwise.



On the other hand, however, Madisonian entropy reflects a deep structural problematic of the American system of government. The syndrome has tended to become more complex and intractable over time, especially as the United States has been compelled to operate in an interdependent world and to compromise its domestic and unilateralist imperatives. In today's multipolar world, international problems are complex enough without the opting out of the largest military and economic power in the system. Germany and Japan are economic giants but military midgets. Furthermore, they have systems of government which may be more responsive to questions of internal efficiency and competitive advantage than the American system, but they do not have recent experience of international responsibility. And finally, the position of the United States, in governmental terms at least, is now such that it no longer has the power to impose solutions, but still has tremendous strength to oppose and virtually veto solutions proposed by others.

Given the intractability of this situation, a relatively positive scenario would involve the emergence, in a cumulative and *ad hoc* way, of a tissue of partial accords and *de facto* practices which would suck Japan and Germany (along with the rest of Western Europe, in a similarly problematic way) into decisional roles, aiming to find compromises which could overcome US veto power. There would emerge, essentially, a 'three-tier' world. The top tier would operate through a series of quasi-Gaullist, *ad hoc* big (economic) power accords with greater but strictly limited institutionalisation, on the model of the Plaza and Louvre Accords, the Yen-Dollar Agreement, the Economic Summits and so on.

The second tier, much predicted but still embryonic, would be a limited regional alignment of the world economy of a 'trilateral' nature – the United States (with the problematic 'sphere of influence' of Latin America perhaps), Western Europe (partially led by West Germany, though this will be contested by the other European countries, and with special links with the Lome countries), and the Japan-led Pacific Rim (again, often contested by others, and with the problematic position of China). Such a realignment could probably not go too far because of internal conflicts of interest plus the lack of enforceable military discipline. The position of the rapidly integrating Soviet Union remains a question.

The third tier would involve the consolidation of what I have elsewhere called the 'competition state'<sup>26</sup> – with the state increasingly using new forms of intervention intended to 'marketise' the state itself as well as to promote the competitive advantage of national industrial and financial activities within a relatively open world economy. In contrast to 'neo-mercantilism', the economic-promotional activities of the state would strengthen rather than block the transnationalisation of the capitalist world economy.

The complex layering of such an interdependent, multipolar scenario would, however, require considerably *more* 'decisional capacity' on the part of leading states than before, in terms of both transnational co-ordination and internal adjustment. Thus it is difficult to see such a system emerging, given the structural position of the United States and its tendency towards entropy. In the US, political debate has not even begun to address the problem, and even most political scientists seem to think that America will muddle through. Reforms, as in the

past, may just complicate the governmental structure further, with more acres of turf and twists to the power game. Most probably, the United States will continue to use its veto power whenever transnational solutions impose costs on American vested interests and threaten to undermine the brittle entropic equilibrium of the American state.

In such circumstances, American hegemony will continue to decline, possibly even more rapidly, leaving a vacuum of political decision-making power in the world to match the current vacuum of economic decision-making power. If there is a way out - through the classic paradox of an 'international of nationalisms' to replace the *pax americana* - then it would seem, unfortunately, that the United States is likely to be more an obstacle than a facilitator. If this proves to be the case, more initiative and efficacy will be required from other states than they have yet been called upon to produce.

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